



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

December 28, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Adel, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$28,853,950 for the year ended June 30, 2020, an 87.3% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$26,242,635, an 84.1% increase over the prior year. The significant increase in receipts and disbursements is primarily due to note proceeds received to fund water, sewer, and storm water improvement projects and the disbursements related to these utility projects.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and disbursement of taxpayer funds, one finding pertaining to the Friends of Adel Library Foundation (Friends), a discretely presented component unit, and one finding pertaining to the Adel Fire Association (Fire Association), a blended component unit. They are found on pages 62 through 68 of this report. The findings address issues such as a lack of segregation of duties, incorrect recording of certain receipts and unrecorded bond activity, disbursements exceeding budgeted amounts prior to the budget amendment and a lack of independent review of certain annual and quarterly federal reports. Sand provided the City, the Friends and the Fire Association with recommendations to address each of the findings.

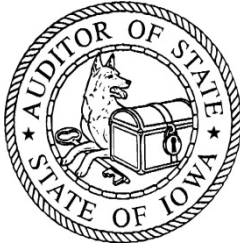
Two of the five findings discussed above and pertaining to the City and the finding pertaining to each component unit are repeated from the prior year. The City Council and component unit management have a fiduciary responsibility to provide oversight of the City's and each component unit's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body and management exercise in their fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

#

CITY OF ADEL
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

City of Adel



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Rob Sand
Auditor of State

December 10, 2020

Officials of the City of Adel
Adel, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Adel for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Adel throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Adel

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2020
Shirley McAdon	Mayor Pro tem	Jan 2020
Dan Miller (Appointed Jul 2018)	Council Member	Nov 2019
Bob Ockerman	Council Member	Jan 2020
Rob Christensen	Council Member	Jan 2022
Jodi Selby	Council Member	Jan 2022
Anthony Brown	Administrator	Indefinite
Angela Leopard	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
Kristine Stone	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2022
Shirley McAdon	Mayor Pro tem	Jan 2024
Rob Christensen	Council Member	Jan 2022
Jodi Selby	Council Member	Jan 2022
Dan Miller	Council Member	Jan 2024
Bob Ockerman	Council Member	Jan 2024
Anthony Brown	Administrator	Indefinite
Angela Leopard	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
Kristine Stone	Attorney	Indefinite

City of Adel



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Dallas County Landfill Agency, a component unit which represents 99.6% of the assets and net position, 94.7% of the disbursements and 99.1% of the revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Dallas County Landfill Agency, is based solely on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

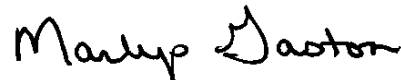
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 36 through 44, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2020 on our consideration of the City of Adel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on effectiveness of the City's the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Adel's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

December 10, 2020

City of Adel

Basic Financial Statements

City of Adel

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,246,110	7,229	158,211	-
Public works	443,636	-	474,689	-
Culture and recreation	1,126,224	166,463	46,268	-
Community and economic development	147,926	-	-	-
General government	489,888	353,644	78,953	-
Debt service	966,004	-	-	-
Capital projects	151,259	36,710	-	27,853
Total governmental activities	4,571,047	564,046	758,121	27,853
Business type activities:				
Water	10,198,760	1,499,474	-	-
Sewer	10,572,114	1,165,777	-	912,125
Garbage/recycling	384,326	384,170	-	-
Storm water	516,388	315,135	-	-
Total business type activities	21,671,588	3,364,556	-	912,125
Total Primary Government	\$ 26,242,635	3,928,602	758,121	939,978
Component Units:				
South Dallas County Landfill Agency	\$ 741,110	1,673,538	-	-
Friends of Adel Library Foundation	41,531	-	16,847	-
Total component units	\$ 782,641	1,673,538	16,847	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales and services tax				
Other city tax				
Unrestricted interest on investments				
Note proceeds				
Note proceeds and premium of \$30,125				
Refunded general obligation notes				
Commercial/industrial tax replacement				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Local option sales tax				
Debt service				
Capital projects				
Closure and postclosure care				
Library Foundation				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government		Total	Component Units	
Governmental Activities	Business Type Activities		South Dallas County Landfill Agency	Friends of Adel Library Foundation
(1,080,670)	-	(1,080,670)		
31,053	-	31,053		
(913,493)	-	(913,493)		
(147,926)	-	(147,926)		
(57,291)	-	(57,291)		
(966,004)	-	(966,004)		
(86,696)	-	(86,696)		
(3,221,027)	-	(3,221,027)		
-	(8,699,286)	(8,699,286)		
-	(8,494,212)	(8,494,212)		
-	(156)	(156)		
-	(201,253)	(201,253)		
-	(17,394,907)	(17,394,907)		
(3,221,027)	(17,394,907)	(20,615,934)		
			932,428	-
			-	(24,684)
			932,428	(24,684)
1,703,658	-	1,703,658	-	-
319,166	-	319,166	-	-
558,406	-	558,406	-	-
910,971	-	910,971	-	-
5,510	-	5,510	-	-
39,523	-	39,523	267,136	-
-	19,547,170	19,547,170	-	-
4,165,125	-	4,165,125	-	-
(4,102,650)	-	(4,102,650)	-	-
57,722	-	57,722	-	-
540	-	540	-	-
19,108	3,000	22,108	8,138	-
31,987	(31,987)	-	-	-
3,709,066	19,518,183	23,227,249	275,274	-
488,039	2,123,276	2,611,315	1,207,702	(24,684)
3,123,330	3,227,312	6,350,642	8,981,141	63,482
\$ 3,611,369	5,350,588	8,961,957	10,188,843	38,798
\$ 402,951	-	402,951	-	-
1,059,705	-	1,059,705	-	-
154,853	117,411	272,264	-	-
65,409	2,111,922	2,177,331	-	-
-	-	-	2,589,281	-
-	-	-	-	38,798
221,761	173,897	395,658	32,296	-
1,706,690	2,947,358	4,654,048	7,567,266	-
\$ 3,611,369	5,350,588	8,961,957	10,188,843	38,798

City of Adel

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	General	Special Revenue		
		Road Use Tax	Urban Renewal Tax Increment	Local Sales and Services Tax
Receipts:				
Property tax	\$ 1,207,094	-	-	-
Tax increment financing	-	-	558,406	-
Local option sales tax	-	-	-	910,971
Other city tax	5,510	-	-	-
Licenses and permits	252,525	-	-	-
Use of money and property	104,878	-	-	-
Intergovernmental	222,148	473,279	-	-
Charges for service	144,606	-	-	-
Special assessments	-	-	-	-
Miscellaneous	154,621	-	-	-
Total receipts	2,091,382	473,279	558,406	910,971
Disbursements:				
Operating:				
Public safety	939,437	-	-	-
Public works	69,807	359,498	-	-
Culture and recreation	972,877	-	-	-
Community and economic development	138,395	-	-	-
General government	475,665	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	2,596,181	359,498	-	-
Excess (deficiency) of receipts over (under) disbursements	(504,799)	113,781	558,406	910,971
Other financing sources (uses):				
Transfers in	507,404	-	-	-
Transfers out	(14,520)	(70,241)	(565,455)	(527,908)
Sale of capital assets	540	-	-	-
Refunded general obligation notes	-	-	-	-
Note proceeds and premium of \$30,125	20,675	-	-	-
Total other financing sources (uses)	514,099	(70,241)	(565,455)	(527,908)
Change in cash balances	9,300	43,540	(7,049)	383,063
Cash balances beginning of year	1,695,277	359,411	58,394	676,642
Cash balances end of year	\$ 1,704,577	402,951	51,345	1,059,705
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	402,951	-	-
Local option sales tax	-	-	-	1,059,705
Debt service	-	-	51,345	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,704,577	-	-	-
Total cash basis fund balances	\$ 1,704,577	402,951	51,345	1,059,705

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
319,166	-	493,043	2,019,303
-	-	-	558,406
-	-	-	910,971
-	-	3,521	9,031
-	-	-	252,525
-	-	-	104,878
8,472	26,597	19,555	750,051
-	-	-	144,606
-	36,710	-	36,710
-	1,256	21,726	177,603
327,638	64,563	537,845	4,964,084
-	-	306,464	1,245,901
-	-	14,159	443,464
-	-	153,340	1,126,217
-	-	9,439	147,834
-	-	14,159	489,824
966,004	-	-	966,004
-	151,259	-	151,259
966,004	151,259	497,561	4,570,503
(638,366)	(86,696)	40,284	393,581
650,569	50,841	32,554	1,241,368
-	(19,126)	-	(1,197,250)
-	-	-	540
(4,102,650)	-	-	(4,102,650)
4,144,450	-	-	4,165,125
692,369	31,715	32,554	107,133
54,003	(54,981)	72,838	500,714
49,505	120,390	148,923	3,108,542
103,508	65,409	221,761	3,609,256
-	-	-	402,951
-	-	-	1,059,705
103,508	-	-	154,853
-	65,409	-	65,409
-	-	221,761	221,761
-	-	-	1,704,577
103,508	65,409	221,761	3,609,256

City of Adel

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2020

Total governmental funds cash balances (page 13) \$ 3,609,256***Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the cash balance of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

2,113**Cash basis net position of governmental activities (page 11)** \$ 3,611,369**Change in cash balances (page 13)** \$ 500,714***Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balance of the Internal Service Funds is reported in governmental activities in the Cash Basis Statement of Activities and Net Position.

(12,675)**Change in cash basis net assets of governmental activities (page 11)** \$ 488,039

See notes to financial statements.

City of Adel

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise					Internal Service
	Water	Sewer	Garbage/ Recycling	Storm Water	Total	
Operating receipts:						
Charges for service	\$ 1,499,474	1,165,777	384,170	315,135	3,364,556	8,242
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	1,899
Public works	-	-	-	-	-	1,560
Culture & Recreation	-	-	-	-	-	61
Community and economic development	-	-	-	-	-	832
General government	-	-	-	-	-	577
Business type activities	656,811	507,932	384,326	86,101	1,635,170	4,333
Total operating disbursements	656,811	507,932	384,326	86,101	1,635,170	9,262
Excess (deficiency) of operating receipts over (under) operating disbursements	842,663	657,845	(156)	229,034	1,729,386	(1,020)
Non-operating receipts (disbursements):						
Capital outlay	(9,302,614)	(3,688,486)	-	(370,817)	(13,361,917)	-
Debt service	(239,135)	(6,375,428)	-	(59,460)	(6,674,023)	-
County contribution	-	912,125	-	-	912,125	-
Miscellaneous	2,100	450	-	450	3,000	-
Note proceeds	9,280,055	9,886,394	-	380,721	19,547,170	-
Net non-operating receipts (disbursements)	(259,594)	735,055	-	(49,106)	426,355	-
Excess (deficiency) of receipts over (under) disbursements	583,069	1,392,900	(156)	179,928	2,155,741	(1,020)
Transfers in	-	19,400	-	-	19,400	-
Transfers out	(1,599)	(4,521)	(15,000)	(557)	(21,677)	(41,841)
Total transfers in (out)	(1,599)	14,879	(15,000)	(557)	(2,277)	(41,841)
Change in cash balances	581,470	1,407,779	(15,156)	179,371	2,153,464	(42,861)
Cash balances beginning of year	1,535,965	1,130,209	100,761	433,070	3,200,005	42,094
Cash balances end of year	\$ 2,117,435	2,537,988	85,605	612,441	5,353,469	(767)
Cash Basis Fund Balances						
Restricted for:						
Debt service	\$ 87,238	20,749	-	9,424	117,411	-
Capital improvements	925,319	932,017	-	254,586	2,111,922	-
Water deposits	173,897	-	-	-	173,897	-
Unrestricted	930,981	1,585,222	85,605	348,431	2,950,239	(767)
Total cash basis fund balances	\$ 2,117,435	2,537,988	85,605	612,441	5,353,469	(767)

See notes to financial statements.

City of Adel

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

As of and for the year ended June 30, 2020

Total enterprise funds cash balances (page 15) \$ 5,353,469***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the cash balances of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Activities and Net Position.

(2,881)**Cash basis net position of business type activities (page 11)** \$ 5,350,588**Change in cash balances (page 15)** \$ 2,153,464***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balances of the Internal Service Funds is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(30,188)**Change in cash basis net position of business type activities (page 11)** \$ 2,123,276

See notes to financial statements.

City of Adel

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Funds

As of and for the year ended June 30, 2020

	Agency					Total
	Oakdale Pride	Library Friends/ Foundation	Historic Preservation Plaques	Holiday Lights	Nile Kinnick Addition	
Additions:						
Donations	\$ -	14,000	30	2,450	10,440	26,920
Deductions:						
Maintenance and repairs	43	11,619	-	14,922	-	26,584
Change in cash balance	(43)	2,381	30	(12,472)	10,440	336
Cash balance beginning of year	157	11,738	90	17,154	8,036	37,175
Cash balance end of year	\$ 114	14,119	120	4,682	18,476	37,511

City of Adel

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage/recycling and storm water utilities to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Adel (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The individual component unit financial statements can be obtained at City Hall, Adel, Iowa 50003.

Discretely Presented Component Units

The South Dallas County Landfill Agency (Landfill Agency) and Friends of Adel Library Foundation (Foundation) are presented in separate columns to emphasize they are legally separate from the City but are financially accountable to the City or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Landfill Agency is governed by a one-member board appointed by the City Council. A financial benefit/burden relationship exists between the City and the Landfill Agency in that the Landfill Agency's operating budget is subject to the approval of the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Landfill meets the definition of a component unit which should be discretely presented.

The Friends of Adel Library Foundation is an entity which is legally separate from the City. The Foundation collects donations which are used to purchase items to support the City Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of Adel Library Foundation meets the definition of a component unit which should be discretely presented.

Blended Component Unit

Pursuant to Chapter 501B of Code of Iowa, the City of Adel Fire Association (Fire Association) is an unincorporated nonprofit association. The Fire Association exists for charitable purposes in support of the City's Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fire Association meets the definition of a component unit which should be blended. Based on these criteria, the Fire Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Fire Association is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint 911 Service Board, Central Iowa Regional Transportation and Planning Alliance (CIRTPA), Adel Partners, Metropolitan Advisory Council, Central Iowa Regional Housing Authority, Dallas County Local Housing Trust Fund, North Raccoon River Watershed Management Coalition, and the Greater Dallas County Development Alliance.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, \$1,651,628 is restricted by enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Sales and Services Tax Fund is used to account for the collection and use of local option sales and services tax.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage/Recycling Fund accounts for the operation and maintenance of the City's solid waste collection and recycling system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Additionally, the City reports fiduciary funds to account for assets held by the City as an agent for certain organizations.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax receipts recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements in the community and economic development and general government functions exceeded the budget prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$784,243. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Component Unit

The South Dallas County Landfill Agency (Landfill Agency) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. The recurring fair value of the U.S. Treasury Securities Stripped of Interest (Securities) at June 30, 2020 was \$9,180,927 and was determined using the last reported sales price at current exchange rates. (Level 1 inputs). The carrying amount of the Securities at June 30, 2020 was \$7,593,177 and the maturity dates ranged from November 15, 2020 to November 15, 2029.

(3) Notes Payable

A summary of changes in notes payable for the ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 8,145,000	4,135,000	4,865,000	7,415,000	880,000
Business type activities:					
Water revenue notes	\$ 785,000	-	65,000	720,000	65,000
Sewer revenue notes	1,137,201	6,041,000	72,283	7,105,918	126,398
Stormwater revenue notes	1,028,283	380,721	32,948	1,376,056	27,828
Business-type activities total	\$ 2,950,484	6,421,721	170,231	9,201,974	219,226

General Obligation Notes

A summary of the City's June 30, 2020 general obligation notes payable is as follows:

Year Ending June 30,	Refunding Capital Loan Issued Jun 28, 2017			Refunding Capital Loan Issued Dec 2, 2019		
	Interest			Interest		
	Rates	Amount	Interest	Rates	Amount	Interest
2021	3.00%	\$ 270,000	88,400	2.00%	\$ 610,000	85,555
2022	3.00	275,000	80,300	2.00	415,000	73,355
2023	3.00	275,000	72,050	2.00	420,000	65,055
2024	2.00	280,000	63,800	2.00	430,000	56,655
2025	3.00	280,000	58,200	2.00	275,000	48,055
2026-2030	2.30-2.70	1,445,000	180,220	2.00-2.20	1,250,000	163,920
2031-2032	3.00	455,000	18,450	2.25-2.30	735,000	27,465
Total		<u>\$ 3,280,000</u>	<u>561,420</u>		<u>\$ 4,135,000</u>	<u>520,060</u>

Total		
Principal	Interest	Total
\$ 880,000	173,955	1,053,955
690,000	153,655	843,655
695,000	137,105	832,105
710,000	120,455	830,455
555,000	106,255	661,255
2,695,000	344,140	3,039,140
1,190,000	45,915	1,235,915
<u>\$ 7,415,000</u>	<u>1,081,480</u>	<u>8,496,480</u>

On June 28, 2017, the City issued \$3,935,000 of general obligation refunding capital loan notes with interest rates ranging from 2.00% to 3.00% per annum. The notes were issued for street and sidewalk improvements, water utility and sewer utility projects, and refunding outstanding general obligation notes. During the year ended June 30, 2020, the City paid \$265,000 of principal and \$96,350 of interest on the notes. The outstanding principal balance on the notes at June 30, 2020 is \$3,280,000.

On December 2, 2019, the City issued \$4,135,000, of general obligation refunding capital loan notes with interest rates ranging from 2.00% to 2.30% per annum. The notes were issued to currently refund four prior general obligation notes issued in September 2011, August 2012 and July 2014. During the year ended June 30, 2020, the City paid \$42,540 of interest on the notes. The refunding permitted the City to realize an economic gain of \$167,643 and reduced debt service payments by \$190,731 over the next 12 years.

Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Water			Sewer		
	Issued June 25, 2013			Issued Feb 28, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.00%	\$ 65,000	20,637	2.00%	\$ 20,120	22,168
2022	2.50	65,000	19,338	2.00	20,526	21,762
2023	2.50	65,000	17,712	2.00	20,940	21,348
2024	2.75	70,000	16,088	2.00	21,363	20,925
2025	2.75	70,000	14,162	2.00	21,794	20,494
2026-2030	3.00-3.38	385,000	37,963	2.00	115,750	95,690
2031-2035		-	-	2.00	127,913	83,527
2036-2040		-	-	2.00	141,354	70,086
2041-2045		-	-	2.00	156,208	55,232
2046-2050		-	-	2.00	172,622	38,818
2051-2055		-	-	2.00	190,761	20,679
2056-2060		-	-	2.00	108,158	2,961
		<u>\$ 720,000</u>	<u>125,900</u>		<u>\$ 1,117,509</u>	<u>473,690</u>

Sewer			Total		
Issued Dec 10, 2019					
Interest Rates	Principal	Interest	Principal	Interest	Total
1.75%	\$ 106,278	103,950	\$ 191,398	146,755	338,153
1.75	108,153	102,075	193,679	143,175	336,854
1.75	110,061	100,167	196,001	139,227	335,228
1.75	112,002	98,226	203,365	135,239	338,604
1.75	113,978	96,250	205,772	130,906	336,678
1.75	600,770	450,369	1,101,520	584,022	1,685,542
1.75	655,664	395,475	783,577	479,002	1,262,579
1.75	715,575	335,565	856,929	405,651	1,262,580
1.75	780,959	270,181	937,167	325,413	1,262,580
1.75	852,317	198,823	1,024,939	237,641	1,262,580
1.75	930,195	120,945	1,120,956	141,624	1,262,580
1.75	902,457	36,396	1,010,615	39,357	1,049,972
	<u>\$ 5,988,409</u>	<u>2,308,422</u>	<u>\$7,825,918</u>	<u>2,908,012</u>	<u>10,733,930</u>

Water Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,400,000 of water revenue notes issued in June 2013. Proceeds from the notes provided financing for water capital project construction. The notes are payable solely from water customer net receipts and are payable through June 2030. Annual principal and interest payments on the notes are expected to require 10% of net receipts. The total principal and interest remaining to be paid on the notes is \$845,900. For the current year, principal and interest paid and total customer net receipts were \$86,938 and \$841,064 (net of transfers out for operating purposes), respectively.

Sewer Revenue Notes

On February 28, 2018, the City issued \$1,163,000 of sewer revenue capital loan notes. Proceeds from the notes provided financing for the construction of improvements to the sewer utility system. The notes are payable solely from sewer customer net receipts and are payable through 2058. During the year ended June 30, 2020, the City paid principal of \$19,692 and interest of \$22,596 on the notes.

On December 20, 2019, the City issued sewer loan notes of up to \$6,041,000 with interest at 1.75% per annum. At June 30, 2020, the City had drawn \$6,041,000 on the note. The notes were issued pursuant to the provisions of Chapters 384.24A and 3834.83 of the Code of Iowa to pay the costs of improvements and extensions to the municipal sewer utility, including acquisition, construction, and installation of a lift station, force main and gravity sewer, related site improvements. The notes are payable solely from the net earnings of the system. The notes are payable through 2060. During the year ended June 30, 2020, the City paid principal of \$52,591 and interest of \$52,523 on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,163,000 of sewer revenue notes issued in February 2018 and \$6,041,000 of sewer revenue notes issued in December 2019. Annual principal and interest payments on the notes are expected to require 22.6% of net receipts. The total principal and interest remaining to be paid on the notes is \$9,888,030. For the current year, principal and interest paid and total customer net receipts were \$147,402 and \$653,324 (net of transfers out for operating purposes), respectively.

Storm Sewer Revenue Notes

On December 11, 2018, the City issued storm water capital loan notes of up to \$1,635,000 with interest at 2.00% per annum. At June 30, 2020, the City had drawn \$1,428,426 on the notes. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of improvements and extensions of the storm water utility. The notes are payable solely from storm water customer net receipts and the City has pledged future storm water customer receipts, net of specified operating disbursements to repay the notes. The notes are payable through 2059. During the year ended June 30, 2020, the City paid principal of \$32,948 and interest of \$26,512 on the notes. Annual principal and interest payments on the notes are expected to require 26% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$59,460 and \$228,477 (net of transfers out for operating purposes), respectively. A final payment schedule has not yet been adopted for these notes.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water, sewer and storm water revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a water reserve account, a sewer revenue reserve account, and a storm water reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the respective systems.

- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% for the water revenue notes and 110% for sewer and storm water revenue notes of the amount of principal and interest on the notes falling due in the same year.
- (e) Sufficient monthly transfers shall be made to sewer reserve accounts within the Enterprise Funds until a balance of \$252,516 has been accumulated. Sufficient monthly transfers shall be made to a storm water reserve account within the Enterprise Funds until a balance of \$59,460 has been accumulated.

Revenue Capital Loan Anticipation Project Notes

On January 5, 2018, the City issued a Water Revenue Capital loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$1,025,000 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal water system. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue notes in an amount sufficient to repay the note. The note bears no interest and matures on January 5, 2021. At June 30, 2020, the City had drawn down \$1,011,937 of the authorized amount.

On October 24, 2018, the City issued a Water Revenue Capital Loan Note Anticipation Project Note for up to \$16,603,000 to pay the costs of improvements and extensions to the municipal water utility, including construction of a new water treatment plant, two wells, raw meter transmission line, 8" transmission main, Highway 169 ground storage reservoir with booster station, South 14th street booster station upgrades, water main replacement on Highway 169 and Rapids Street, Old Portland Road water main extension, and related site improvements. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue notes in an amount sufficient to repay the note. The note bears a variable interest rate and matures on December 28, 2020. At June 30, 2020, the City had drawn down \$11,354,883 of the authorized amount.

On December 28, 2018, the City issued Sewer Revenue Capital Loan Notes Anticipation Project Note to the Iowa Finance Authority for up to \$1,200,000 to pay the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the municipal sewer system. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa and is payable solely from sewer net receipts. The note bears no interest and matures on December 21, 2021. At June 30, 2020, the City had drawn down \$1,145,313 of the authorized amount.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protective occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City’s contributions to IPERS for the year ended June 30, 2020 were \$150,548.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability for \$721,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City’s proportion was 0.012460%, which was an increase of 0.000719% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$194,771, \$174,155 and \$218,106, respectively.

There were no non-employee contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation	
(effective June 30, 2017)	2.60% per annum.
Rates of salary increase	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 1,604,472	721,501	(18,722)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$280,283 and plan members eligible for benefits contributed \$64,099 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Adel and are eligible to participate in the group health and dental plan are eligible to continue healthcare and dental benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug and dental benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	26
Total	<u>26</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 85,000
Compensatory time	23,000
Total	<u>\$ 108,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 407,886
	Urban Renewal Tax Increment	36,000
	Enterprise:	
	Garbage/Recycling	15,000
	Water	1,599
	Sewer	4,521
	Stormwater	557
	Internal Service:	
	Building Replacement	41,841 *
		<u>507,404</u>
Capital Projects	Special Revenue:	
	Road Use Tax	<u>50,841</u>
Special Revenue:		
Employee Benefit	General	14,520
	Special Revenue:	
	Local Option Sales Tax	<u>18,034</u>
		<u>32,554</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	529,455
	Local Sales and Services Tax	101,988
	Capital Projects	<u>19,126</u>
		<u>650,569</u>
Enterprise:	Special Revenue:	
Sewer	Road Use Tax	<u>19,400</u>
Total		<u><u>\$ 1,260,768</u></u>

* Only \$29,710 is shown on Exhibit A to avoid duplication of transfer to the General Fund from Building Replacement Fund.

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Interfund Loans

On June 12, 2018, the City agreed to advance \$97,000 from the Enterprise, Sewer Fund to the Special Revenue, Road Use Tax Fund, for costs associated with the purchase of a 2009 John Deere Road Grader. This loan will be repaid through transfers over the next five years from the Special Revenue, Road Use Tax Fund, as funds become available. During the year ended June 30, 2020, the Special Revenue, Road Use Tax Fund repaid \$19,400 to the Enterprise, Sewer Fund. The amount due to the Enterprise, Sewer Fund at June 30, 2020 is \$58,200.

On November 27, 2018, the City agreed to advance \$36,000 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation, an urban renewal purpose. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available. During the year ended June 30, 2020, transfers of \$36,000 were made to repay this loan. The amount due to the General Fund at June 30, 2020 is zero.

On April 9, 2019, the City agreed to advance \$100,000 from the General Fund to the Special Revenue, Local Sales and Services Tax Fund for the purchase of land. This loan will be repaid through transfers over the next three years from the Special Revenue, Local Option Sales Tax Fund to the General Fund as funds become available. During the year ended June 30, 2020, the Special Revenue, Local Option Sales Tax Fund repaid \$33,334 to the General Fund. The amount due to the General Fund at June 30, 2020 is \$66,666.

On November 12, 2019, the City agreed to advance \$33,446 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation, an urban renewal purpose. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available. During the year ended June 30, 2020, no transfers were made to repay this loan. The amount due to the General Fund at June 30, 2020 is \$33,446.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Rebate Agreements

The City has entered into a rebate agreement to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the participating company with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating company will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2020, the City did not rebate any incremental property tax to the participating company.

(11) Deficit Balance

The Internal Service, Flex Benefits Fund, had a deficit balance of \$767 at June 30, 2020. The City has a plan to reduce the deficits in fiscal year 2021.

(12) Construction Commitments

At June 30, 2020, the City had entered into construction contracts totaling approximately \$13,810,000 for various projects. At June 30, 2020, these projects will require future payments of approximately \$4,741,000 upon completion.

(13) Subsequent Events

On July 1, 2020, the City issued water revenue capital loan notes, taxable series 2020A not to exceed \$7,000,000.

On August 3, 2020, the City issued sewer revenue capital anticipation project loan notes not to exceed \$10,880,000.

On August 28, 2020, the City issued water revenue capital loan notes not to exceed \$4,713,000.

On December 2, 2020, the City issued water revenue capital loan notes, taxable series 2020B, not to exceed \$9,603,000.

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including the City of Adel, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Adel's operations and finances.

(15) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

City of Adel

Other Information

City of Adel

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,019,303	-	-
Tax increment financing	558,406	-	-
Other city tax	920,002	-	-
Licenses and permits	252,525	-	-
Use of money and property	104,878	-	-
Intergovernmental	750,051	912,125	-
Charges for service	144,606	3,372,798	8,242
Special assessments	36,710	-	-
Miscellaneous	177,603	3,000	12,392
Total receipts	4,964,084	4,287,923	20,634
Disbursements:			
Public safety	1,245,901	1,899	10,667
Public works	443,464	1,560	1,560
Culture and recreation	1,126,217	61	61
Community and economic development	147,834	832	832
General government	489,824	577	577
Debt service	966,004	-	-
Capital projects	151,259	-	-
Business type activities	-	21,675,443	4,333
Total disbursements	4,570,503	21,680,372	18,030
Excess (deficiency) of receipts over (under) disbursements	393,581	(17,392,449)	2,604
Other financing sources (uses), net	107,133	19,503,052	(41,841)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	500,714	2,110,603	(39,237)
Balances beginning of year	3,108,542	3,242,099	47,959
Balances end of year	\$ 3,609,256	5,352,702	8,722

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
2,019,303	2,030,641	2,030,641	(11,338)
558,406	565,455	565,455	(7,049)
920,002	711,185	749,185	170,817
252,525	185,450	231,246	21,279
104,878	77,250	90,545	14,333
1,662,176	662,364	662,364	999,812
3,509,162	3,488,756	3,800,881	(291,719)
36,710	15,554	15,554	21,156
168,211	37,685	406,407	(238,196)
9,231,373	7,774,340	8,552,278	679,095
1,237,133	1,293,813	1,351,313	114,180
443,464	510,699	510,699	67,235
1,126,217	1,104,734	1,267,257	141,040
147,834	93,139	150,639	2,805
489,824	270,760	511,610	21,786
966,004	974,093	974,093	8,089
151,259	552,000	416,000	264,741
21,671,110	21,808,737	35,479,241	13,808,131
26,232,845	26,607,975	40,660,852	14,428,007
(17,001,472)	(18,833,635)	(32,108,574)	15,107,102
19,652,026	19,450,000	32,491,000	(12,838,974)
2,650,554	616,365	382,426	2,268,128
6,302,682	4,645,344	4,645,344	1,657,338
8,953,236	5,261,709	5,027,770	3,925,466

City of Adel

City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component units and the Internal Service and Agency Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$14,052,877. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements in the community and economic development and general government functions exceeded the amounts budgeted prior to the budget amendment.

City of Adel

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.012460%	0.011741%	0.011089%	0.010890%
City's proportionate share of the net pension liability	\$ 722	743	739	685
City's covered payroll	\$ 1,477	1,362	1,269	1,100
City's proportionate share of the net pension liability as a percentage of its covered payroll	48.88%	54.55%	58.23%	62.27%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2016	2015
0.008788%	0.007337%
434	291
1,100	1,070
39.45%	27.20%
85.19%	87.61%

City of Adel

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 151	143	126	118
Contributions in relation to the statutorily required contribution	(151)	(143)	(126)	(118)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 1,568	1,477	1,362	1,269
Contributions as a percentage of covered payroll	9.63%	9.68%	9.25%	9.30%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
106	103	100	89	86	86
(106)	(103)	(100)	(89)	(86)	(86)
-	-	-	-	-	-
1,100	1,100	1,070	935	965	1,028
9.64%	9.36%	9.35%	9.52%	8.91%	8.37%

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Adel

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

			Special
	Library Memorial	Employee Benefits	Police DARE
Receipts:			
Property tax	\$ -	493,043	-
Other city tax	-	3,521	-
Intergovernmental	-	15,008	-
Miscellaneous	9,067	-	267
Total receipts	9,067	511,572	267
Disbursements:			
Operating:			
Public safety	-	297,331	365
Public works	-	14,159	-
Culture and recreation	16,457	136,867	-
Community and economic development	-	9,439	-
General government	-	14,159	-
Total disbursements	16,457	471,955	365
Excess (deficiency) of receipts over (under) disbursements	(7,390)	39,617	(98)
Other financing sources:			
Transfers in	-	32,554	-
Change in cash balances	(7,390)	72,171	(98)
Cash balances beginning of year	18,275	123,835	696
Cash balances end of year	\$ 10,885	196,006	598
Cash Basis Fund Balances			
Restricted for other purposes	\$ 10,885	196,006	598

See accompanying independent auditor's report.

Revenue				
Historical Museum	Fire Association	Police Forfeiture	Total	
-	-	-	493,043	
-	-	-	3,521	
-	-	4,547	19,555	
-	12,392	-	21,726	
-	12,392	4,547	537,845	
-	8,768	-	306,464	
-	-	-	14,159	
16	-	-	153,340	
-	-	-	9,439	
-	-	-	14,159	
16	8,768	-	497,561	
(16)	3,624	4,547	40,284	
-	-	-	32,554	
(16)	3,624	4,547	72,838	
16	5,865	236	148,923	
-	9,489	4,783	221,761	
-	9,489	4,783	221,761	

City of Adel

City of Adel

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

Year ended June 30, 2020

	Building Replacement	Flex Benefits	Total
Operating receipts:			
Charges for service	\$ -	8,242	8,242
Operating disbursements:			
Governmental activities:			
Public safety	-	1,899	1,899
Public works	-	1,560	1,560
Culture and recreation	-	61	61
Community and economic development	-	832	832
General government	-	577	577
Business type activities:			
Water	-	1,813	1,813
Sewer	-	2,429	2,429
Storm water	-	91	91
Total operating disbursements	-	9,262	9,262
Other financing uses:			
Transfers out	(41,841)	-	(41,841)
Change in cash balances	(41,841)	(1,020)	(42,861)
Cash balances beginning of year	41,841	253	42,094
Cash balances end of year	\$ -	(767)	(767)
Cash Basis Fund Balances			
Unrestricted	\$ -	(767)	(767)

See accompanying independent auditor's report.

City of Adel
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding capital loan notes	Sep 27, 2011	0.50-3.15%	\$ 2,165,000
Capital loan notes	Aug 8, 2012	2.40-3.25	3,500,000
Refunding capital loan notes	Aug 8, 2012	3.00	1,130,000
Capital loan notes	Jul 1, 2014	1.20-2.75	440,000
Refunding capital loan notes	Jun 28, 2017	2.00-3.00	3,935,000
Refunding capital loan notes	Dec 2, 2019	2.00-2.30	4,135,000
Total			
Revenue notes:			
Water	Jun 25, 2013	0.75-3.38%	\$ 1,400,000
Sewer	Feb 28, 2018	2.00	1,163,000
Storm water	Dec 11, 2018	2.00	1,428,426
Sewer	Dec 20, 2019	1.75	6,041,000
Total			
Interim revenue project notes:			
Water	Jan 5, 2018	0.00%	\$ 1,011,937
Sewer	Jan 5, 2018	0.00	580,023
Water	Oct 24, 2018	variable	11,354,883
Sewer	Oct 24, 2018	variable	5,567,839
Sewer	Dec 28, 2018	0.00	1,145,313
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
790,000	-	790,000	-	11,064
3,105,000	-	3,105,000	-	41,976
415,000	-	415,000	-	6,260
290,000	-	290,000	-	3,670
3,545,000	-	265,000	3,280,000	96,350
-	4,135,000	-	4,135,000	42,540
\$ 8,145,000	4,135,000	4,865,000	7,415,000	201,860
785,000	-	65,000	720,000	21,938
1,137,201	-	19,692	1,117,509	22,596
1,028,283	380,721	32,948	1,376,056	26,512
-	6,041,000	52,591	5,988,409	52,523
\$ 2,950,484	6,421,721	170,231	9,201,974	123,569
1,011,937	-	-	1,011,937	-
580,023	-	580,023	-	-
2,074,828	9,280,055	-	11,354,883	151,697
2,867,758	2,700,081	5,567,839	-	80,164
-	1,145,313	-	1,145,313	-
\$ 6,534,546	13,125,449	6,147,862	13,512,133	231,861

Schedule 4

City of Adel
Note Maturities
June 30, 2020

General Obligation Notes						
Year Ending June 30,	Refunding Capital Loan Notes		Refunding Capital Loan Notes			
	Issued Jun 28, 2017		Issued Dec 2, 2019			
	Interest Rates	Amount	Interest Rates	Amount	Total	
2021	3.00%	\$ 270,000	2.00%	\$ 610,000	880,000	
2022	3.00	275,000	2.00	415,000	690,000	
2023	3.00	275,000	2.00	420,000	695,000	
2024	2.00	280,000	2.00	430,000	710,000	
2025	3.00	280,000	2.00	275,000	555,000	
2026	2.30	285,000	2.00	235,000	520,000	
2027	2.40	285,000	2.00	245,000	530,000	
2028	2.50	290,000	2.00	250,000	540,000	
2029	2.60	290,000	2.10	255,000	545,000	
2030	2.70	295,000	2.20	265,000	560,000	
2031	3.00	295,000	2.25	270,000	565,000	
2032	3.00	160,000	2.30	465,000	625,000	
Total		<u>\$ 3,280,000</u>		<u>\$ 4,135,000</u>	<u>7,415,000</u>	

City of Adel
Note Maturities
June 30, 2020

Revenue Notes								
Year Ending June 30,	Water		Sewer					
	Issued June 25, 2013		Issued Feb 28, 2018		Issued Dec 20, 2019			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
2021	2.00%	\$ 65,000	2.00%	\$ 20,120	1.75%	\$ 106,278	191,398	
2022	2.50	65,000	2.00	20,526	1.75	108,153	193,679	
2023	2.50	65,000	2.00	20,940	1.75	110,061	196,001	
2024	2.75	70,000	2.00	21,363	1.75	112,002	203,365	
2025	2.75	70,000	2.00	21,794	1.75	113,978	205,772	
2026	3.00	75,000	2.00	22,234	1.75	115,989	213,223	
2027	3.00	75,000	2.00	22,683	1.75	118,035	215,718	
2028	3.25	75,000	2.00	23,141	1.75	120,117	218,258	
2029	3.25	80,000	2.00	23,608	1.75	122,236	225,844	
2030	3.38	80,000	2.00	24,084	1.75	124,393	228,477	
2031		-	2.00	24,571	1.75	126,587	151,158	
2032		-	2.00	25,067	1.75	128,820	153,887	
2033		-	2.00	25,572	1.75	131,093	156,665	
2034		-	2.00	26,089	1.75	133,405	159,494	
2035		-	2.00	26,615	1.75	135,759	162,374	
2036		-	2.00	27,152	1.75	138,154	165,306	
2037		-	2.00	27,700	1.75	140,591	168,291	
2038		-	2.00	28,260	1.75	143,071	171,331	
2039		-	2.00	28,830	1.75	145,595	174,425	
2040		-	2.00	29,412	1.75	148,164	177,576	
2041		-	2.00	30,006	1.75	150,777	180,783	
2042		-	2.00	30,611	1.75	153,437	184,048	
2043		-	2.00	31,229	1.75	156,144	187,373	
2044		-	2.00	31,859	1.75	158,899	190,758	
2045		-	2.00	32,502	1.75	161,702	194,204	
2046		-	2.00	33,159	1.75	164,554	197,713	
2047		-	2.00	33,828	1.75	167,457	201,285	
2048		-	2.00	34,511	1.75	170,411	204,922	
2049		-	2.00	35,207	1.75	173,418	208,625	
2050		-	2.00	35,918	1.75	176,477	212,395	
2051		-	2.00	36,643	1.75	179,590	216,233	
2052		-	2.00	37,382	1.75	182,758	220,140	
2053		-	2.00	38,137	1.75	185,982	224,119	
2054		-	2.00	38,907	1.75	189,263	228,170	
2055		-	2.00	39,692	1.75	192,602	232,294	
2056		-	2.00	40,493	1.75	196,000	236,493	
2057		-	2.00	41,310	1.75	199,457	240,767	
2058		-	2.00	26,354	1.75	202,976	229,330	
2059		-		-	1.75	206,557	206,557	
2060		-		-	1.75	97,467	97,467	
Total		\$ 720,000	\$ 1,117,509		\$ 5,988,409		7,825,918	

See accompanying independent auditor's report.

City of Adel

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 2,019,303	1,902,041	1,742,444	1,665,068
Tax increment financing	558,406	661,815	633,628	641,589
Local option sales tax	910,971	742,152	476,425	539,776
Other city tax	9,031	2,489	113,877	111,150
Licenses and permits	252,525	295,343	625,038	438,980
Use of money and property	104,878	150,162	90,934	71,563
Intergovernmental	750,051	670,446	625,025	635,487
Charges for service	144,606	214,295	276,472	293,010
Special assessments	36,710	37,152	113,311	42,259
Miscellaneous	177,603	315,700	97,912	83,056
Total	<u>\$ 4,964,084</u>	<u>4,991,595</u>	<u>4,795,066</u>	<u>4,521,938</u>
Disbursements:				
Operating:				
Public safety	\$ 1,245,901	1,156,297	1,153,221	1,060,923
Public works	443,464	567,392	543,980	473,198
Culture and recreation	1,126,217	1,197,356	937,383	904,520
Community and economic development	147,834	86,491	100,203	91,359
General government	489,824	274,555	228,980	328,325
Debt service	966,004	968,368	992,771	3,051,954
Capital projects	151,259	679,764	1,301,061	91,687
Total	<u>\$ 4,570,503</u>	<u>4,930,223</u>	<u>5,257,599</u>	<u>6,001,966</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
1,670,133	1,617,400	1,688,888	1,679,872	1,611,593	1,561,144
641,828	535,382	488,325	495,028	465,346	467,273
474,195	441,965	422,345	544,169	234,487	133,287
111,337	92,116	-	7,239	2,514	2,969
323,835	226,345	158,078	86,289	72,196	35,522
65,676	52,308	57,055	56,394	49,356	56,996
921,402	696,892	651,655	564,582	496,700	542,442
287,947	216,148	234,828	123,499	124,546	132,885
99,632	123,670	29,388	66,146	178,916	43,819
123,488	106,969	158,029	118,376	84,591	124,221
4,719,473	4,109,195	3,888,591	3,741,594	3,320,245	3,100,558
982,568	953,757	1,008,083	841,419	805,808	782,863
521,863	505,985	352,358	340,004	325,110	366,024
737,885	692,654	655,554	529,000	514,599	577,657
78,755	67,539	145,296	110,994	94,243	89,977
197,023	237,023	288,799	172,477	235,204	212,663
981,923	914,828	2,079,458	877,907	816,684	704,716
689,989	1,406,425	741,327	3,605,883	636,067	2,365,269
4,190,006	4,778,211	5,270,875	6,477,684	3,427,715	5,099,169

City of Adel

City of Adel

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 13,365,559
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4421 DRIA	26,597
			\$ 13,392,156

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Adel under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Adel, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Adel.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The City of Adel has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Our report includes a reference to other auditors who audited the financial statements of the South Dallas County Landfill Agency, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Adel's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Adel's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Adel's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items II-A-20 and II-B-20, we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

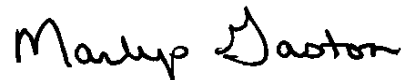
The City of Adel's Responses to the Findings

The City of Adel's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Adel's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Adel during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

December 10, 2020



OFFICE OF AUDITOR OF STATE STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Adel, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Adel's major federal program for the year ended June 30, 2020. The City of Adel's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Adel's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Adel's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Adel's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Adel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

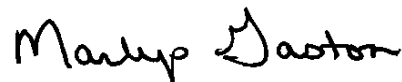
The management of the City of Adel is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Adel's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Adel's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-20, we considered to be a significant deficiency.

City of Adel's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. City of Adel's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marlys K. Gaston, CPA
Deputy Auditor of State

December 10, 2020

City of Adel
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Adel did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's, the Library's and the Fire Association's financial statements.

Condition – Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – recordkeeping, investing and reconciling earnings.
- (3) Long-term debt – recordkeeping and debt payment processing.
- (4) Receipts – collecting, preparing deposits and reconciling. In addition, the mail is not opened and distributed by someone other than accounting personnel.
- (6) Receipts for Parks and Recreation – collecting.

For the Friends of Adel Library Foundation (Library Foundation), one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, signing of checks, and reconciling.

For the Fire Association, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

Cause – The City, Library Foundation and Fire Association have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Effect – Inadequate segregation of duties could adversely affect the City's, the Library Foundation's and the Fire Association's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Library Foundation and the Fire Association should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City Response – The City continues to search for ways to maximize segregation of duties with limited staff. We recognize the importance of this issue.

Library Foundation Response – The Foundation has no employees and procedures to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes is difficult. Library staff completes several processes to attempt to address this issue. With a change in Library staff due to a retirement, the Library Foundation is reviewing their control procedures to obtain the maximum internal control process under the circumstances utilizing currently available volunteers and staff.

Fire Association Response – The Association maintains dual control on disbursement activities per the Association's Financial and Accounting Policies. Furthermore, account balances are reported at every monthly Association business meeting to our membership. Documentation is provided at that meeting if any member would like to review the monthly transactions or account balances. The Association will continue to ensure proper policies are maintained given our staffing levels and transaction volumes.

Conclusion – Responses acknowledged. The City, the Library Foundation and the Fire Association should continue to review control procedures to obtain the maximum control possible, including utilizing elected officials and other City personnel to add additional oversight through review of transactions and reconciliations.

II-B-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of these policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – A material amount of receipts were incorrectly recorded as reductions in disbursements. In addition, general obligation note proceeds and the corresponding issuance costs and debt service payments were not recorded by the City. Adjustments were subsequently made to properly report these amounts in the City's financial statements.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Cause - City policies and procedures have not been established to require independent review of the recording of receipts to ensure the City's financial statements are accurate and reliable.

Effect - Lack of policies and procedures resulted in the City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City's financial statements were necessary.

Recommendation - The City should implement procedures to ensure all receipts and debt activity is properly recorded and classified in the City's financial records.

Response - The City refunded four general obligation notes on December 2, 2019. Staff worked closely with the City's attorneys and financial advisors during this process. Given the City employs the cash basis accounting, there was a misunderstanding with respect to recording the piece of this transaction that did not directly hit the City's bank account. The City will strive to record future refundings and all other transaction in the proper manner.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Adel
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number: 10.760 Water and Waste Disposal Systems for Rural Communities
Federal Award Year: 2020
U.S. Department of Agriculture

III-A-20 USDA Reporting

Criteria – Per the Letter of Condition for United States Department of Agriculture (USDA) loans entered into by the City, quarterly income and expense statements are required and the reports are to be signed by the appropriate borrower official and submitted within 30 days of each quarter's end. In addition, 30 days prior to the beginning of each fiscal year, the City is required to submit an annual budget to the USDA office.

Condition – The annual budget and quarterly reports submitted to the USDA were not reviewed and approved by an independent person.

Cause – Policies and procedures have not been established to require the reports to be independently reviewed and approved.

Effect – The lack of documented review of these reports increases the risk for undetected reporting errors or misstatements.

Recommendation – The City should establish policies and procedures to ensure the quarterly reports and annual budget are reviewed and approved by an independent person who is knowledgeable about the program. This review should be evidenced by the reviewer's signature or initials and date of review prior to submission.

Response and Corrective Action Planned – The City's Finance Director will provide these reports to the City Council for review/approval prior to submitting to the USDA. The approval will be documented with the Mayor's signature.

Conclusion – Response accepted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-20 Certified Budget – Disbursements in the community and economic development and general government functions exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The community and economic development disbursements exceeded amounts budgeted prior to the amendment due to subdivision fees exceeding those budgeted as well as costs associated with assembling the City’s comprehensive plan. The general government disbursements exceeded amounts budgeted prior to the amendment due to professional fees (legal/engineering) for the Southbridge lift station, development agreement, URA/URP, etc. to be reimbursed by the developer. The City also moved forward with a window project budgeted for in fiscal year 2018-2019 but postponed to fiscal year 2019-2020. If the City determines that funds are available, there have been occasions where expenditures will be incurred prior to an amendment. In the future, we will emphasize the importance of amendments taking place prior to any large unbudgeted disbursements occurring.

Conclusion – Response accepted.

- IV-B-20 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-20 Business Transactions – No business transactions between the City and City officials or employees were noted.
- IV-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- IV-F-20 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-G-20 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- IV-I-20 Revenue Notes – No instances of non-compliance with the revenue note requirements for the year ended June 30, 2020 were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

- IV-J-20 Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2020 were noted.
- IV-K-20 Financial Condition – The Internal Service, Flex Benefits Fund, had a deficit balance of \$767 at June 30, 2020.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – Since the plan year for the City's 125 Cafeteria Plan is the calendar year (not the City's fiscal year), the deficit is the result of timing. For example, if an employee elects to contribute \$600 to their cafeteria plan for the calendar year (\$50 per month), the employee can seek reimbursement for \$600 worth of eligible expenditures in January. The City would then have a deficit balance until December. Overall, the deficit is immaterial. The Internal Service, Flex Benefits Fund, is completely employee funded.

Conclusion – Response acknowledged.

City of Adel

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Lesley R. Geary, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Andrew J. Dunne, Staff Auditor
Vivian J. Hustad, Staff Auditor